

Regionalization of the innovation management process

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Abstract. The authors of the paper reveal the subject-matter of the determinants of innovative development of the territory, mediated by increased regionalization of innovation management: the status of the resource and innovation capacity; established forms and nature of the interaction between public authorities at the regional level, local community and business; used forms of integration of business entities to implement their innovation capacity through the expansion of opportunities of participation in promising areas of scientific, technical, economic and social development; incentive system, producing favorable conditions for the implementation and development of innovative technologies, as well as increasing business activity, generated by the external institutional environment; regional economic policy as a tool to enhance innovation activity.

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Introduction

In current market economy conditions and Russia's accession to international trade, scholars and experts from various fields of knowledge are paying special attention to a huge number of regional problems. The growing role of regional research determines the level of establishing effective mechanisms for the implementation of the economic interests of entities, because the economic development of a country and improving the quality of human life are the priority objectives of federal, regional and local authorities.

Today, the Russian economic science faces a global goal: to develop ways and means of transformation of the Russian economy in order to bring it to a path of sustainable innovative development, providing new quality of life. Achieving this goal must surely become a key task of the Russian economics and politics, in both the near future and the long term perspective.

This goal does not imply automatic transition of the regions towards the globally common development paths, based on the advantages of "private entrepreneurship of free owners and managers in the market environment", though it pursues the well-thought-out regionalization of the innovation management process, taking into account the Russian conditions, the country experiences, a harmonious, socially oriented and innovation-oriented development with the effective use of intelligence capabilities and new technologies.

Currently, the development of innovation activity is the most important factor of competitiveness, and as a consequence, the factor of

a positive change of the regional economy. Development of innovation activities at the regional level is directly related to the activities aimed at creation of an innovative environment, capable of generating favorable conditions for the positive dynamics of development through the provision of continuous reproductive innovation process.

According the economic dictionary "regionalization means the development, enhancement of economic, political and other ties between the regions or states within a single region; the emergence of regional groupings of the states" [1].

Geo-economical Reference Dictionary interprets the concept of regionalization as "the process of formation and development of multinational economic and other associations on the basis of socio-cultural factors similarity. In today's world, regionalization is both a step and a response to the challenges of globalization (internationalization) (EU, ASEAN, APEU, etc.). Fostering innovation through the territorial concentration, competition of the regional economic conditions» [2].

According to I.M. Busygina "Regionalization is the redistribution of power competences, transfer of functions from the national to the regional level, the emergence and development of new institutional forms that meet the new role of the regions in decision-making at the national and supranational levels " [3].

Baburina O.N. in her article "Regionalization and globalization: the problem of relationship" indicates the fact that "regionalization is an approach to addressing economic, social, political

and other problems from the standpoint of the interests and needs of a particular region" [4].

Innovative development of the regions is a socio-economic process aimed at increasing capacities (both innovation and investment) through the creation of innovative products, which is based on the formation of the regional innovation system.

The authors highlighted the following determinants of innovation activities in the region:

1. The status of the resource and innovative capacity of the area (number of economic resources distributed between the scientific, technical, educational, and investment subsystems of the region, which the society can use for its development), defining features of the economic interests of market participants in the region, the specificity and the development level of the territory, as well as the balance between the technological structures of the economic system.

The basic condition for innovations in the region is a combination of resources and organizational-economic system, which transforms these resources into innovative product. This process characterizes the development level of innovation sphere of the region and acts as a separate economic category, namely innovation capacity. The region's ability to move to innovative development can be considered as the level of regional innovation capacity [5].

It follows from the speech of Dmitry Kozak, the Minister of the Regional Development of the Russian Federation, given at the plenary meeting of the Public Chamber of the Russian Federation on May 23, 2008 that "... the mechanisms that would encourage regions to develop and would focus the efforts of regional policy to achieve maximum socio-economic development, today are not followed up enough" [6].

Positive dynamics in the quality of population's life is a basic indicator that characterizes the development degree of a particular region. This integral index is a combination of such indicators as increase in household incomes, the dynamics of gross regional product (GRP) growth, including GRP per capita; quality of regional human capital; infrastructure and social security of the particular area, etc. [7].

It seems obvious that the greatest influence on the development of the entities of the Russian Federation provides economic growth in the region, which is expressed as gross regional product and gross regional product per capita. Thus, the dynamics of the GRP is the key factor of areas' self-development, and the evaluation of GRP may serve an indicator to determine the level of regional development [8].

Consideration of all the possible components of socio-economic characteristics is absolutely necessary within the existing regional differences of the constituent entities of the Federation. In addition, the idealization of resource mobility is refuted by not only domestic but also foreign practices in a globalized economy [9, 10]. First of all, we cannot characterize the mobile natural resources, and secondly, there are many known examples, where labor migration to the more developed socio-economic regions has increased regional differences.

J.-R. Boudeville (1966) proposed a hierarchy of growth poles, which, in our opinion, should be used when assessing regional capacity (Figure 1) [11].

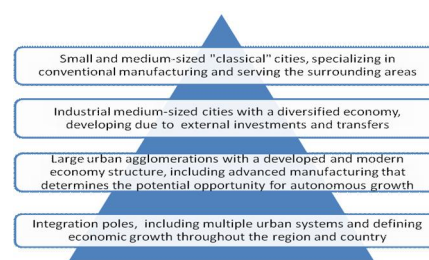


Fig.1. Hierarchy of growth centers

It's not a secret that the independent and autonomous economic growth is potential only at the upper levels of the proposed hierarchy; moreover, the probability of economic growth at the lower levels is directly dependent on mechanisms of innovations interpenetration. The development of technological progress in the future will ensure the organization of innovation formation centers (including those in underdeveloped entities), which means a change of regional imbalances and displacement of regional development asymmetries.

2. Prevailing forms and nature of the interaction between the constituent entities of the governmental authorities at the regional level, local community and business structures.

According to Alexander Bim [12], the main risks of interaction between business and government in contemporary conditions are: a) an obvious hypertrophy and disproportionate administrative resource, allowing the bodies of state administration to 'push' desired involvement of business in solving regional problems; b) corporate egoism, i.e. desire to limit anyhow the participation of companies in the regional development; c) "image", presentation focus of corporate social responsibility; g) the willingness of the parties to a constructive dialogue based on mutual interests, which is still weak, though increasing in recent times.

According to the authors, if the formation of the interaction between business entities, regional authorities and the local community is reached, then the business becomes interested in enhancing its reputation and investments into innovation.

3. Utilized forms of integration of business entities in order to implement their innovation capacity through the expansion of opportunities to participate in promising areas of scientific, technical, economic and social development.

All integration processes indicate an objective trend of market environment in modern conditions. Analyzing and systematizing international experience, one can identify the following key incentives for integration: getting synergies; increasing competitiveness; improving the quality of management; and eliminating inefficiencies.

Integration of business structures is defined by the following attributes: the interpenetration and interplay of national production processes; profound structural changes taking place in the regional economies; purposefulness of integration processes control; and the formation of regional structures.

The following conditions are required for the integration of business structures in the region: the economic and political framework; programs and instruments of regional economic policy; developed market infrastructure; and decisions of the authorities in a particular industry.

Development of economic entities on the basis of integration and innovation is not only relevant, but also can become a determining factor for the successful implementation of the decisions taken at the level of the region and the country as a whole.

To determine the specificity and development level of the territory, one can use a theory of competitive advantage, developed by Michael Porter [13]. In Russian economic studies, this theory is fixed in the developed concept of "economy growth points". This concept suggests the possibility of providing economic growth of the regions by available resource advantages of the regional entity, which depend on the interregional competition and socio-economic status of the territory. Actually these features add up the factors affecting the formation of regional capacity, such as labor, capital, land, infrastructure, qualification resources and the system for creating and training of workforce.

The theory of competitive advantages has an absolute merit in determining industry specifics of socio-economic development of the regions. It concludes in grouping the parameters of noted factors on specialized and general ones for different business sectors, such as, for example, specialized

technologies, highly qualified personnel within a narrow specialization, and others, because they provide benefits for a long time period in free competition environment.

Another option of the industry distribution theory concludes in analyzing of regional enterprise activity and reflecting the close relationship between the optimization of industry structure of the region and substantiation of the economic sectors that are a priority for the region. Any economic activity brings a certain socio-economic effect, which is limited to those or other resources, such as financial; infrastructural; natural; primary; labor and others.

Figure 2 shows the relationship of conditions affecting the industry regional specifics.

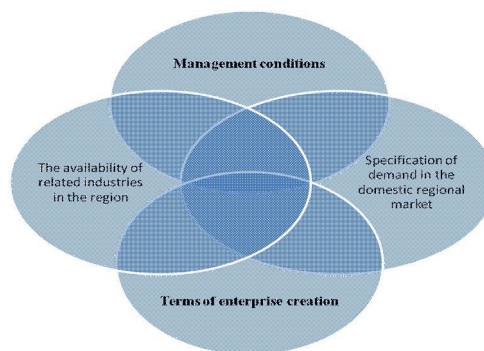


Fig.2. Regional industry specifics

In our opinion, for priority development it is necessary to focus on one or more economy sectors. In concerned case it is necessary to give priority to the integrated development that will promote not only economic stability but social stability as well.

4. System of incentives, generating favorable conditions for the implementation and development of innovative technologies, as well as increasing business activity, generated by the external institutional environment.

Institutional environment undergoes permanent transformation, which is associated with the institutional changes, caused by the mismatch between the existing institutions and the changed conditions and the external environment.

External institutional environment creates an incentive system through the development of laws and regulations, such as legal regulation of property; system of contract execution; sociocultural norms; institutional trust, which is based on the introduction of institutional technologies, as well as the import of new institutions capable of reducing transaction costs of an economic system.

In the case of changes in economic conditions of business activity, the structure and the

scope of agreements and contracts are constantly reviewed; therefore institutional mechanism is a process of their continuous creation, development and transformation.

5. Regional economic policy, as a tool to enhance innovation efficiency (market transaction options; the availability of alternative organizational structures, both formal and informal, ensuring an effective exchange; the existence of a developed business infrastructure, which creates prerequisites for the establishment and development of entrepreneurship; the development of domestic markets; and the availability of integrated structures) defined by innovation, scientific, technical and socio-economic policy of the regional authorities.

Matters, relating to the market transaction parameters, are considered by John Commons [14]. The author described in detail the criteria, which include: the interdependence of the transaction participants; institutional type of a contract, used in a particular transaction; the level of asset specificity; and the competition in the form of relationship within the transaction.

Within the framework of regional economic policy, there are functioning formal and informal institutions that support the implementation of innovation capacity. These include concepts, programs, innovation development strategies, as well as the legislative framework at the mesolevel. Presence in the region of these institutions promotes the formation of research and development sector, availability of business partnerships, strategic structures in the field of innovative business, and the development of innovation infrastructure.

The volumes of transaction costs that form the development of innovation-based entrepreneurship and affect the innovations of advanced technologies have a great influence on efficiency of innovation activities.

Scope of entrepreneurship has broad boundaries. The business infrastructure development process for the entrepreneurship is continuous and is focused on the development of domestic markets, the availability of integrated structures, and the improvement of quality. If the business infrastructure is fully operational within own capabilities, then the entrepreneurship develops efficiently.

Regionalization of the innovation management process will set common values and development trends, and at the same time it must be represented by a set of economic models of each entity, being a part of the Russian Federation. If otherwise, at the opposite approach, where sufficiently detailed economic model of the state is initially formed, and only then this model is directed down to the regions for execution, the regions are

strongly restricted in free variations that may lead to underutilization of existing capacity of a specific entity and imbalances in regional governance.

There is no doubt that for some regions a formed nationwide model of regionalization will actually have an adequate character, and then these regions will begin (or continue) their development, pulling forward, leaving behind other regions, for which the new development conditions do not correspond to the existing capacity, or do not allow them to use it to the fullest. As a result, such regions will increasingly lag behind the development of advanced regions, deteriorating their economic performances.

In this way, the country will never decrease the current regional differentiation, and within a state the population will live in very different economic conditions. Such an outcome is inevitable because, once again, today Russia differs from all over countries of the world not just by its territorial space and enormous natural, transport, economic and social differences, but also a powerful layer of industrial relations going back to socialism that hinders the development of new, more progressive economic relations within the social market economy.

Regionalization of the innovation management process should be based on a position of the integrated use of regional capacity. At the same time, the development of mechanisms to regulate economic relations should be directed to the following:

first, to an equivalent relation of the state to all territorial entities;

secondly, to adequate support of key regional competencies, identified in advance for each region, by the federal government;

thirdly, to create the conditions of free entrepreneurship and competition for other spheres of activity, limiting the influence of government and lobbying business interests.

Each region has its own economic characteristics and each goes through the regionalization in his own, despite the fact that each region is affected by the common public policy at the federal level, global economic conditions and other factors.

Thus, we have disclosed the subject-matter of the determinants of innovative development of a territory, mediated by increased regionalization of innovation management: the status of the resource and innovation capacity; established forms and nature of the interaction between public authorities at the regional level, local community and business; used forms of business entities integration in order to implement their innovation capacity through the expansion of opportunities to participate in promising

areas of scientific, technical, economic and social development; incentive system, producing favorable conditions for the implementation and development of innovative technologies, as well as increasing business activity, generated by the external institutional environment; regional economic policy as a tool to enhance innovation activities.

Given system of determinants is mediated by regionalization of innovative development management, deterministic to high inter-regional differentiation of the level and quality of life; uneven distribution of resources across the country; technological underdevelopment of the national economy; existing unification of innovation processes in the national economy; implementation of a standardized approach to the organization of innovation activities; needs of the economy in the most rapid diffusion of technologies within a particular specialization; the need to integrate the efforts of all entities of innovative activity within the boundaries of a particular region; increasing need to shift the focus of the regional innovation development management.

Emphasized determinants of innovation development in the region determine the features and limitations when creating the innovation control system in the region.

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